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Executive Director

**ARIZONA CORPORATION COMMISSION**

January 2, 2007

Commissioner William A. Mundell  
Commissioner Mike Gleason  
Commissioner Kristin Mayes  
Commissioner Gary Pierce

**Re: Amending Commission Rule Regarding Certificates of Necessity and Convenience for Water Utilities (R-14-2-402)**

Dear Colleagues:

As Arizona's population continues to grow rapidly in the near future, we must ensure that water utilities to which we grant new CC&Ns and extensions are able to provide adequate and reliable water service to their customers. This challenge is especially compounded by the stark reality that much of Arizona is a desert and is experiencing a prolonged drought. As a consequence, over the last year, several Commissioners, including myself, have expressed interest in increasing the degree of scrutiny on water utilities applying for new CC&Ns or CC&N extensions.

Commissioner Gleason has requested that water utilities submit more detailed information regarding the proposed service area. Commissioner Mayes has been successful in passing amendments that prohibit water companies from using groundwater for irrigating golf courses and other water features. Commissioner Mundell has often questioned water companies about the availability and adequacy of their water supplies.

I have asked water utilities what water conservation measures they intend to employ, how they plan to finance the needed infrastructure and if they intend to integrate water and wastewater operations. In addition, I am interested in learning what water utilities and developers are doing to reduce water usage in homes with respect to installing double piping, low-flow toilets, faucets and showerheads.

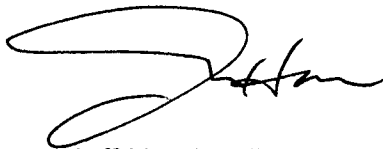
In my opinion, the best way to collect more information and promote water conservation measures uniformly on water utilities seeking new or extending existing CC&Ns is through a rulemaking process. I propose that we open a rulemaking docket in the first quarter of 2007 to amend A.C.C. R-14-2-402 relating to CC&Ns for Water Utilities.

Here are specific recommendations that should be included in the possible rulemaking docket:

- The estimated total construction cost of the proposed off-site and on-site plant facilities and a detailed explanation of how the construction will be financed through debt, equity, advances in aid of construction or contributions in aid of construction.
- The name of wastewater service provider in the area.
- A detailed description of how water will be provided for golf courses, ornamental lakes, other aesthetic water features, greenbelts or parks in the proposed area.
- Plans for water conservation measures, including public information campaigns.
- Descriptions of limitation, restriction, or proposed landscaping requirements for common areas, children's area and individual homesites (i.e., xeriscaped common areas using native plants and trees).
- Backflow prevention tariff, if not already on file.
- Curtailment tariff, if not already on file.
- Physical Availability Determination from the Arizona Department of Water Resources, or the status of the application for the Physical Availability Determination.

I also invite you to submit your recommendations to Staff before this rulemaking process would begin.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeff Hatch-Miller', with a large, stylized initial 'J'.

Jeff Hatch-Miller  
Chairman

Cc: Brian C. McNeil  
Chris Kempley  
Ernest Johnson